

## CHAPTER 3

### STRUCTURAL CHANGES IN RADIO OWNERSHIP

#### Introduction

This chapter focuses on the structural changes to the radio industry evident after passage of the 1996 Telecommunications Act. Shifts in ownership and revenue share at both the national and local (metro) level are examined.

#### Description of Main and Supplemental Data Sources

The primary data source for the following ownership analyses was gathered from Media Access Pro, an investor tool used to track the financial activity of radio and television properties. Media Access Pro is owned and maintained by BIA Financial Networks, a merchant banking and investment firm specializing in the broadcasting and telecommunications industries. The data source was updated as of May 23, 2001 and includes historical ownership and format information at least back to Fall 1994.

Supplemental financial information was assembled from corporate publications such as annual reports, U.S. Securities and Exchange Commission filings and shareholder statements, as well as trade press coverage (*Broadcasting & Cable, Radio and Records*, and *Billboard* magazines). Information about radio station ratings, market ranks and format definitions are gathered from Arbitron, a media and marketing research firm.

#### Description of Sample

Based on the 286 Arbitron-defined markets<sup>1</sup> and using a random digits table, a sample set of 58 markets were identified, producing 1,317 stations across thirty states

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<sup>1</sup> Arbitron Metro markets are ranked by the size of the city, town or regional population based on the U.S. Census. For this study, Arbitron-defined markets based on the 2002

(see Appendices A and B for a full list of the markets and stations in the sample). The sample was weighted to collect a balanced number of stations from large, midsize and small markets, distributed as follows: Ten markets each from the top 50 ranked markets, 51-100 ranked markets, 101-150 ranked markets, 151-200 ranked markets, and nine markets each from the 201-250 and 251-286 ranked markets.

This sample is highly representative of the commercial radio industry in several key areas: In terms of number of stations, 1,317 is approximately 12% of the 10,779 commercial radio stations available in the US at the end of August 2000. Of those 10,779 stations, 56% are FM and 44% are AM. In the sample, 717 or 54.4% of the stations are on the FM band and 600 or 45.6% are on the AM band. According to the aggregate population for each market, the stations in this sample reach 41,609,800 people in the US, approximately 14% of the national population. Regarding radio station formats, the top five most frequent format categories in the data source are also the top five most frequent format categories in the sample: Religion, Country, Adult Contemporary, News and Oldies (see Table 3.1).

Table 3.1: Format Distribution in Data Source and Sample Population

<b>Format Category</b>	<b>Data Source</b>	<b>Sample</b>
Religion	11.4%	12.74%
Country	20.2%	12.36%
Adult Contemporary	11.5%	9.15%
News	8.3%	9.08%
Oldies	7.8%	7.25%
<b>Note:</b> The sample has a smaller portion of country stations than the data source because a fewer number of Midwest stations, where country is the dominant music format, were randomly chosen. The Midwest has fewer stations per square mile than the rest of the nation, and thus a smaller chance of being randomly selected.		

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census were employed. Arbitron's 286 markets represent about 77% of the U.S. population of those at least 12 years of age.

The ownership structure of the data source is also equitably represented in the sample. By far the largest owner of radio properties is Clear Channel Communication, with control of 1,117 stations at the end of 2000, or just over 10% of all US radio stations. Clear Channel also dominates the sample, with 191 stations or 14.5% of the total. The next-largest owners in both the data source and sample are Citadel Communications Corporation (2% data source, 4% sample) and Infinity Broadcasting (2% data source, 3% sample).

#### Description of Analysis Time Frame

Three time frames were established for analyzing the ownership structure, format changes and playlist information of the sample set. These time frames were: Spring 1996 (March, April and May), Fall 1998 (September, October and November) and Summer 2000 (June, July and August), comprising thirty-six weeks of data. Spring 1996 represents the pre-1996 Telecommunications Act control group, as the rule changes took several months to implement.

#### National Changes in Radio Ownership, 1996-2000

An immediate consequence of lifting national ownership restrictions and relaxing limits on local ownership was a dramatic increase in station trading. The FCC reported that in the first year of the act, 2,066 radio stations changed owners, about 20% of the total number of commercial radio stations in the country. This activity represents a significant increase relative to the year before when only 988 stations changed owners (FCC, 1998, p. 2). According to broadcasting analysts at BIA Financial Network, radio mergers in 1996 totaled \$14.3 billion, compared to \$5.4 billion the previous year

(Fratrlik, 2001a, p. 7). Vigorous station trading continued over the next four years, with 7,489 stations sold for over \$80 billion between 1997 and 2000 (p. 7).

What has redefined the radio industry post the act is not only the frequency of station trading, but the character of those trades. Stations did not simply pass between owners, but were concentrated among fewer owners, becoming a part of large station groups. While the number of radio stations increased between 1996 and 2000 as the FCC redefined broadcast signal coverage and issued additional licenses, the number of radio owners declined. In March of 1996, the radio industry had 5,133 owners; by March of 2000, only 4,006 remained – a loss of 1,127 owners or 22% (FCC, 2001, p. 3).

The decline of owners has created radio station “super groups” – companies that own hundreds of stations across the country. Before passage of the act, only 25 radio owners held 20 or more stations. By March of 2000, 39 owners held 20 or more stations, and the two largest radio group owners held over 400 stations each (FCC, 2001, p. 3). The top 50 groups have gained control over an increasingly larger portion of the total commercial radio industry. Whereas in 1995 the top fifty groups held 8.6% of all available radio stations, in 1998 they controlled 22%. And by December of 2000, the fifty largest radio owners held nearly 28% of all available radio stations (Fratrlik, 2001a, p. 8).

#### Decline of Radio Ownership in Sample Population

This rate of merger and acquisition activity is evident in the sample, where a decrease in the number of owners occurred in nearly every market. Only nine of the 58 markets analyzed experienced no change in the number of local owners.

In 1996, 699 unique owners in the sample held 1,269 commercial radio stations for a concentration ratio of 44.9%.<sup>2</sup> Two years later, 565 owners held 1,303 stations, concentrating the industry represented in the sample to 56.6%. By the end of 2000, 460 owners held 1,317 stations for a concentration ratio of 65.1%. Overall, between 1996 and 2000, unique owners in the sample decreased by 239, a loss of 34.2% of the population of owners prior to the act.

Table 3.2: Decline of Radio Ownership in Sample Population, 1996-2000

Year	# of Owners	Difference	% Change
1996	699		
1998	565	-134	19.2%
2000	460	-105	18.6%
<b>Total</b>		<b>-239</b>	<b>34.2%</b>

#### Rise of Radio Station Super Groups

In conjunction with the overall decrease of owners, the industry experienced an increase in the size and market share of the remaining owners. Prior to the act, an owner was characterized by its local holdings of a handful of stations. Five years later, the industry was characterized by a handful of large companies holding hundreds of stations across the country.

In 1996 no one owner held more than 22 stations in the sample. By 2000 one owner, Clear Channel Communications, held 191 stations (1,117 nationally), an increase of 182 stations. Clear Channel acquired these radio holdings by purchasing and consolidating the properties of competing group owners such as Jacor Communications Incorporated and Evergreen Media Corporation over the course of four years. The next-

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<sup>2</sup> The concentration ratio formula is  $(1 - O/S)$  where O equals the number of owners and S equals the number of stations. Here it is expressed as a percentage of perfect concentration, 100%.

largest owners, Citadel Communications Corporation and Infinity Broadcasting held nine and 16 stations in the sample in 1996, which increased to 54 and 41 respectively in 2000.

Table 3.3: Dominant Radio Super Groups in Sample Population, 1996-2000

1996		1998		2000	
Owner	Stations	Owner	Stations	Owner	Stations
Paxson Comm	22	Clear Channel	55	Clear Channel	191
Jacor Comm	16	Cumulus	41	Citadel	54
Infinity	16	Jacor Comm	39	Infinity	41
Triathlon	14	Citadel	35	Cumulus	37
Amer Radio	12	AMFM	35	Entercom	29
Evergreen	10	Entercom	23	Salem Comm	25
Citadel	9	Infinity	18	Cox	20
Clear Channel	9	Salem Comm	14	ABC Radio	16
Cox	9	ABC Radio	13	Marathon	11
EZ Comm	8	CBS	13	NextMedia	10
ABC Radio	8	Sunburst Media	12	Saga Comm	10
Chancellor	8	Capstar	12	Midwest Comm	9
Salem Comm	8	Cox	11	Hispanic Broad.	9

#### Increase of Super Group Market Presence

An increase in the number of stations a company owns also tends to increase its local market presence,<sup>3</sup> as most super groups buy stations across several markets. For example, in the sample population for 1996, Citadel held 9 stations in 3 markets; in 1998 the company increased its holdings to 35 stations in 8 markets; and by 2000 Citadel owned 54 stations in 12 markets (See Table 3.4 for changes in market presence of the top ten station owners in the sample.).

<sup>3</sup> Market presence is simply the number of stations a company owns in an Arbitron-defined market. Owning one station in Oshkosh, WI constitutes a presence in that market.

Table 3.4: Market Presence of Super Groups in Sample Population, 1996-2000

1996		1998		2000	
Owner	Markets	Owner	Markets	Owner	Markets
Salem Comm	6	Clear Channel	12	Clear Channel	36
Jacor Comm	5	Cumulus	9	Citadel	12
Paxson Comm	5	Jacor Comm	8	Saga Comm	10
Amer Radio	4	Citadel	8	Salem Comm	10
Cox	4	AMFM	9	Infinity	9
Infinity	4	Entercom	5	Cumulus	8
ABC Radio	3	Infinity	5	ABC Radio	7
Chancellor	3	Salem Comm	7	Cox	5
Citadel	3	ABC Radio	4	Entercom	5
Clear Channel	3	CBS	5	Hispanic Broad.	3

### National Revenue Share

Advertising dollars are the primary source of revenue for commercial radio stations. Ad revenue pays for station equipment, talent, programming and administrative staff. As the industry consolidated ownership into fewer and fewer radio companies, total national revenue shares were also divided among fewer owners. According to BIA, reported radio revenues increased from 3.5 billion in 1996 to over 11.5 billion by the end of 2000 (see Table 3.5).<sup>4</sup> Despite the overall increase in dollars spent on radio advertising, many radio companies that managed to hold on to stations during the merger rush saw their profits drop while a handful of super group owners collected larger portions of the total revenue pie. In 1996 the ten most lucrative radio companies collectively earned 41.7% of total reported revenue. In 1998 this revenue share increased to 54.5%, with the top five companies controlling 43.6% of total revenue. By 2000 ten companies controlled 66.1% of annual radio advertising revenues, with just two

<sup>4</sup> The BIA reported annual revenues used here are partial data. Many stations, particularly religious format stations, do not report revenues to BIA, and stations earning under \$15,000 in annual revenues are not listed in the Media Access Pro database.

companies (Clear Channel and Infinity Broadcasting) controlling nearly half (45.9%) of the total revenue reported that year (see Table 3.6 for the top ten revenue-earners).

Table 3.5: BIA Reported Annual Revenues

Year	Total Reported Revenues	Stations	Owners
1996	3,544,170,000	2,815	754
1998	6,820,655,000	4,465	1,108
2000	11,584,028,000	6,716	1,309

Table 3.6: Share of National Revenues by Top 10 Radio Companies

1996		1998		2000	
Owner	Percent of Revenue	Owner	Percent of Revenue	Owner	Percent of Revenue
ABC Radio	8.33	Infinity Broad.	23.98	Clear Channel	27.41
Clear Channel	8.22	Clear Channel	7.61	Infinity Broad.	18.47
Cox Radio	5.58	ABC Radio	4.98	ABC Radio	3.55
Hispanic Broad.	3.71	Cox Radio	4.15	Cox Radio	3.29
Susquehanna	3.26	Entercom	2.86	Entercom	3.05
Entercom	3.01	Hispanic Broad.	2.63	Citadel	2.79
Bonneville	2.85	Citadel	2.40	Radio One	1.99
Jefferson-Pilot	2.46	Susquehanna	2.38	Susquehanna	1.91
Spanish Broad.	2.22	Cumulus	1.88	Hispanic Broad.	1.85
Greater Media	2.08	Jefferson-Pilot	1.64	Cumulus	1.82
<b>Total</b>	<b>41.72</b>	<b>Total</b>	<b>54.51</b>	<b>Total</b>	<b>66.13</b>

One incentive for amassing hundreds of radio stations is not simply the increased number of revenue-generating properties, but also the potential cost-savings if super group owners take advantage of economies of scale measures. The average cost of running a radio station decreases as more radio station properties are added to a company's portfolio. For stations within a reasonable geographical distance to each other or with the use of new technologies such as digital broadcasting and voice-tracking, stations can share resources such as technical staff, managerial facilities, programming talent, music libraries, and sales representatives. Sharing resources decreases the average cost of running a station so, if advertising revenue at a station does not increase, radio group owners may still generate greater profits from multiple station acquisitions. The

popularity of consolidating station operations radically changed industry knowledge about how to manage commercial radio, as stand-alone stations were in the minority and super groups dominated. In response to industry demand, the National Association of Broadcasters offered a series of panels on “cluster management” during its 1999 annual convention to address the questions and concerns of general managers who found themselves at the helm of multiple stations after years of overseeing operations at a single station. It was also during this convention that radio station staff raised concern about layoffs and the general decrease in available radio jobs that accompanied economies of scale strategies. Industry analyst BIA reported in 1999 that consolidation had “reduced employment opportunities by 10%” and unemployment rates in the industry were among the highest in the country (Fratik, 1999).

A quick glance at management information for two of the largest super group owners, Clear Channel and Citadel, reveals how consolidation has changed the face of radio operations. Clear Channel owns five stations each in Little Rock, Arkansas, Amarillo, Texas and Portland, Oregon. In each of these markets, regardless of station format, the company lists one general manager and one office address for all five stations. Citadel owns nine stations in Albuquerque, New Mexico, seven stations in Spokane, Washington, and five stations in Birmingham, Alabama. The same address and management contact is listed for all the stations in each market. In each of these cases, prior to 1996 the stations were owned by different companies, and thus operated out of separate buildings and employed, collectively, more general managers than post consolidation.

Both the FCC and radio industry leaders have argued that cost-savings from operational efficiencies such as the consolidation of labor would be invested in better programming, ultimately benefiting the radio audience. Specific investigation of these claims has yet to be conducted by either the industry or the FCC. Nevertheless, the economies of scale incentive was a featured pitch for many proposed station buyouts in the late 1990s, and contributed to the increased stock value of publicly traded super group owners when word of a merger reached the financial press.

#### Local Changes in Radio Ownership, 1996-2000

As seen above, the repeal of national ownership restrictions had a quick and influential affect on the radio industry as a whole, narrowing the field of players and enabling super group owners. Locally, the provisions of the 1996 Telecommunications Act also created significant changes in the character of metro-level ownership.

#### Loss of Ownership at the Metro-Level

Of the radio markets in the research sample to experience the greatest loss of ownership, losing between 40 to 54% of owners over four years, twelve are small to midsize markets with as few as 10 stations (see Table 3.7). For example, Macon, Georgia, a 25 station market, lost 7 of 13 owners in four years. Jonesboro, Arkansas, a 10 station market, had six owners in 1996, which decreased to three in 2000. Of the 18 smallest markets in the sample with populations of 172,000 or less, nine experienced a 33 to 50% decline in local ownership. Similarly, of the 20 midsize markets in the sample with populations of 180,000 to 408,000, twelve markets experienced a 30 to 54% decline in local ownership.

Table 3.7: Greatest Decrease in Ownership by Market

Market	Rank	Owners 1996	Owners 1998	Owners 2000	% Change 1996-2000
Macon, GA	147	13	6	6	-53.85
Des Moines, IA	92	14	11	7	-50.00
Fayetteville, AR	155	14	9	7	-50.00
Jonesboro, AR	273	6	5	3	-50.00
Tyler-Longview, TX	140	17	13	9	-47.06
Wausau-Stevens Point, WI	158	11	9	6	-45.45
Gainesville - Ocala, FL	90	20	16	11	-45.00
Tuscaloosa, AL	216	9	6	5	-44.44
Lafayette, IN	236	9	7	5	-44.44
Albany, GA	253	9	6	5	-44.44
Reno, NV	128	15	11	9	-40.00
Medford-Ashland, OR	207	10	6	6	-40.00
Harrisonburg, VA	261	10	7	6	-40.00
Cookeville, TN	265	5	5	3	-40.00

Larger markets were affected differently than small to midsize markets in that far fewer large markets had significant declines in local ownership. Of the 20 largest markets in the sample with populations of 446,000 to 3,840,000, only five experienced a 30 to 50% decline in local ownership. Furthermore, none of the top 50 markets in the sample experienced declines in local ownership of more than 25%, and seven of the 10 markets had a less than 20% drop in local ownership (see Appendix C for percentage loss of ownership for all markets in the sample). Significantly, not a single market in the sample experienced an increase in ownership after passage of the act. In terms of competition within the industry, local markets actually became less competitive as fewer owners gained control of available stations.

#### Concentration of Local Ownership

In addition to examining the number of local owners, it is also important to determine the ratio of owners to stations in order to see how scarce broadcasting resources are distributed. The concentration of ownership in a market is a factor of the

size of the market and the number of available stations. A concentration ratio of 1 indicates that every radio station in the market is held by a different owner. A concentration ratio closer to zero indicates that a larger portion of the total population of radio stations is held by one owner. For example, three owners in a market with five stations (a ratio of 0.6) represents a relatively disperse environment. On the other hand, five owners in a market with 25 stations (a ratio of 0.2) indicates a fairly concentrated environment for the number of outlets available. The concentration ratio is also useful for cross-market comparisons, as it adjusts for the difference between large and small markets, and thus reveals the relative degree of ownership changes between markets.

The change of ownership concentration in the sample closely parallels the loss of owners described above. Nearly every market experienced some increase in concentration, and not a single market in the sample underwent a decrease in concentration. Small and midsize markets experienced the greatest change from 1996 to 2000, increasing ownership concentration between 20 to 37% (see Table 3.8). For example, in nine of the 18 smallest markets in the sample, local ownership concentration increased between 23.5 to 35%. Overall, twelve small markets experienced at least a 10% increase in concentration. In 10 of the 20 midsize markets, local ownership concentration increased between 20.6 to 36.8%, with 16 markets experiencing at least a 10% increase in concentration. In larger markets, six of the 20 markets had between a 20.3 to 35% increase in concentration, with all but five in the sample experiencing at least a 10% increase (see Appendix D for a complete table of changes in local ownership concentration).

Table 3.8: Greatest Increase in Local Ownership Concentration

Market	Rank	O:S 1996	O:S 1998	O:S 2000	% Change
Fayetteville, AR	155	0.737	0.474	0.368	36.90
Abilene, TX	221	0.824	0.556	0.474	35.00
Gainesville - Ocala, FL	90	0.714	0.552	0.379	33.50
Tyler-Longview, TX	140	0.680	0.520	0.346	33.40
Lafayette, IN	236	0.750	0.583	0.417	33.33
Des Moines, IA	92	0.583	0.440	0.269	31.40
Ft. Collins-Greeley, CO	132	0.846	0.769	0.538	30.80
Tuscaloosa, AL	216	0.692	0.462	0.385	30.70
Jonesboro, AR	273	0.600	0.500	0.300	30.00

**Note:** O:S is the concentration ratio for each market. A ratio closer to 1 indicates greater concentration, while a ratio approaching 0 indicates greater dispersion.

### Super Groups at the Metro-Level

At the metro-level, radio station super groups not only have a presence – owning at least one station in many markets across the country – but often own several stations in a market, establishing local ownership duopolies. In 1938 the FCC instituted a license-granting policy which later became law that prohibited an owner from operating more than one station in a market. With the arrival of FM, this rule was revised to allow one station per band in a market. In 1992 the first radio duopolies were created when the FCC began to allow two-station ownership in the same market in the same band.

The 1996 Telecommunications Act did retain some metro-level constraints that restrict monopoly ownership in a radio market. For example, in large markets with 45 or more stations, no one company may own more than eight stations of which not more than five may be in the same band. In midsize markets with 15 to 29 stations, no one company may own more than six stations of which not more than four may be in the same band. And, in small markets with 14 or fewer stations, no one company may own more than five stations of which not more than three may be in the same band. As a result, markets are not entirely dominated by one owner. However, consolidation and concentration of

ownership in the industry as a whole has resulted in the dominance of metro-level oligopolies. That is, a handful of owners, often as few as two, can control the majority of radio stations in a market.

These oligopolies have changed the local ownership structure of small and midsize markets most significantly. For example, four markets in the sample have a perfect oligopoly where all of the available commercial radio stations are owned by two (Danbury, CT) or three (Jonesboro, AK, Cookeville, TN, and Decatur, IL) companies. A perfect oligopoly among a handful of owners is unusual, but two- and three-company control of more than 50% of local stations is common (see Appendix E for a list of two- and three-company oligopolies in small and midsize markets). In Albany, Georgia two companies, Clear Channel and Cumulus Media, hold 74% of the 15 available radio properties, four and seven stations respectively. In Tyler-Longview, Texas, a midsize market, three companies (Citadel Communications, five stations; Clear Channel, five stations; and Waller Broadcasting, eight stations) own 69% of the available 26 stations.

Forty markets in the sample have less than 30 commercial radio stations. Of these markets, only eight have ownership structures that would have been legal before the 1996 Telecommunications Act, and only nine of those small and midsize markets did not have local oligopolies by November 2000. Oligopoly control in these markets as well as multi-station ownership in large markets, brings formidable financial benefits to those controlling companies. According to radio industry analyst BIA, a company owning more than two stations in a market generates revenue three times greater than that of one-station owners (Fratik, 1999). This economic advantage is the result of the consolidated

station operations discussed above, and the influence one owner with multiple stations can wield on the local radio advertising market.

### Metro-Level Revenue Share

During the years following the 1996 Telecommunications Act, radio companies like Clear Channel and Infinity Broadcasting (owned by Viacom International) acquired strong, revenue-generating stations across the country, thus gaining control of local as well as national radio revenues. These two companies in particular, as part of much larger media organizations, have leveraged their radio properties with other advertising mediums in the companies' holdings, such as billboards, television stations, cable channels and concert venues.

Four years after the act, revenue for nearly every market in the sample was concentrated into the hands of a few radio companies. No other company dominates local revenue like Clear Channel, which owns radio stations in 36 of the 58 markets in the sample. In all but one of those markets, Clear Channel was among the top three revenue earners, and in 22 cases, was the number one revenue earner in that market (see Appendix F for a complete list of the top revenue earners in each market).

Regardless of market size, typically three companies collect over 80% of revenues (see Tables 3.9 and 3.10). For example, in Detroit, Michigan 16 stations owned by three companies (Clear Channel, Infinity Broadcasting and ABC Radio, which is a subsidiary of Disney) captured 81.8% of local revenues in 2000. In a city with 41 commercial radio stations, the oligopoly control of Clear Channel, Infinity and ABC leaves 25 stations with 18.2% of local revenues to share among 15 smaller broadcasters. Thirty-nine percent of the radio stations in the market capture 81.8% of the local

revenues. Although the same number a stations captured 82.81% of revenues in 1996, the stations were held by five companies: Evergreen Media and Secret Communication (both later acquired by Clear Channel), Infinity Broadcasting, ABC and Greater Media.

Similarly, in the Minneapolis-St. Paul, Minnesota market the same three companies captured nearly 90% of local radio revenues in 2000 with 17 of the 43 commercial stations. In 1996, local advertising revenue was much more dispersed across companies and stations. Six companies with 19 stations collectively captured 84.07% of local revenue. The stations held by Colfax Communications and Chancellor Broadcasting became part of Clear Channel's station portfolio after the act, and two of Cargill Communications station holdings were acquired by ABC.

In 1996, six companies with 11 stations in a 19 station market captured 87.29% of local advertising revenue in Fayetteville, Arkansas. By 2000 just two companies, Clear Channel and Cumulus Media, capture over 85% of local revenues where the oligopoly controls 11 of the 19 available stations.

Table 3.9: Local Market Revenue Shares, 1996

Market	Owner	# of Stations	% Share of Revenue
<b>DETROIT, MI</b>			
	Evergreen Media	4	17.94
	Infinity Broad.	6	29.65
	ABC Radio Inc.	2	13.53
	Secret Comm.	2	11.96
	Greater Media	2	9.73
	<b>Total</b>	<b>16</b>	<b>82.81</b>
<b>MINNEAPOLIS – ST. PAUL, MN</b>			
	Chancellor Broad.	6	24.79
	ABC Radio Inc.	3	22.45
	Infinity Broad.	2	24.29
	Cargill Comm.	5	2.48
	Hubbard Broad.	2	4.36
	Colfax Comm.	1	5.70
	<b>Total</b>	<b>19</b>	<b>84.07</b>
<b>FAYETTEVILLE, AR</b>			
	Noalmark Broad.	2	31.59
	Communication Corp.	1	21.59
	Jem Broadcasting	2	5.68
	Demaree Media	3	14.20
	Hochman, George	2	11.39
	Vinewood Comm.	1	2.84
	<b>Total</b>	<b>11</b>	<b>87.29</b>
<b>WINCHESTER, VA</b>			
	Mid Atlantic Net.	2	28.35
	Benchmark Comm.	2	28.35
	Shenandoah County	2	5.68
	Ruarch Assoc.	1	6.29
	Signal Knob Radio	2	4.02
	<b>Total</b>	<b>9</b>	<b>84.50</b>

Table 3.10: Local Market Revenue Shares, 2000

Market	Owner	# of Stations	% Share of Revenue
<b>DETROIT, MI</b>			
	Clear Channel	7	34.90
	Viacom	6	30.60
	ABC Radio Inc.	3	16.35
	<b>Total</b>	<b>16</b>	<b>81.85</b>
<b>MINNEAPOLIS – ST. PAUL, MN</b>			
	Clear Channel	7	42.90
	ABC Radio Inc.	6	20.80
	Viacom	4	26.00
	<b>Total</b>	<b>17</b>	<b>89.70</b>
<b>FAYETTEVILLE, AR</b>			
	Cumulus Media	7	36.50
	Clear Channel	4	49.30
	<b>Total</b>	<b>11</b>	<b>85.80</b>
<b>WINCHESTER, VA</b>			
	Mid Atlantic Net.	4	36.6
	Clear Channel	3	41.10
	Shenandoah County	2	5.80
	<b>Total</b>	<b>9</b>	<b>83.50</b>

That small markets have just a few companies capturing the largest portion of advertising revenue is not surprising, since there are far fewer radio stations to divide the revenues among. So, for example, in Winchester, Virginia (13 stations), Clear Channel, Mid Atlantic Network and Shenandoah Country control 9 stations and 83.5% of radio advertising revenue. In 1996, five corporations collected 84.5% of radio revenue with 9 stations. In fact, for small markets the concentration of advertising revenue in a few companies did not change as significantly as it did in larger-sized markets. In most cases, the same number of owners captured similar amounts of revenue for their stations in 2000 as in 1996. The most significant difference between before the act and after industry consolidation is *who* controls radio revenues. That is, owners are no longer local companies, but large, national corporations.

Radio stations are a chief communicator between local businesses and their customers through radio advertising. As a result of the shift in the character of owners,

that mediator is now, in essence, an absentee landlord who sells time on the radio dial. Although not within the scope of this dissertation, it would be interesting to investigate how revenue generated by local businesses<sup>5</sup> was transferred out of the community when stations once owned by in-town and nearby companies were sold to national corporations. The loss of advertising revenue divided among shareholders spread throughout the country and world has an economic impact on the local economy, which to date, has not been explored by the FCC or radio industry.

#### Summary of Changes in Ownership

The deregulation of local and national ownership restrictions provided by the 1996 Telecommunications Act led to a historic increase in station trading. Five years after the act was passed, the industry was characterized on the national level by fewer owners holding more stations, with a handful of companies amassing super group collections of stations across the country. In large markets with abundant media outlets, the results of concentration did not greatly change the diversity of radio ownership. Whereas, in small and midsize markets concentration had a significant influence on the diversity of local ownership and control of local advertising revenues. In many of these smaller markets listeners are most likely tuned to a station owned by one of the five largest radio companies in the US: Clear Channel, Infinity Broadcasting, Citadel Communications, Cumulus Media or Cox Radio. This is a considerable difference from

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<sup>5</sup> The majority of a radio station's advertising dollars comes from commercial spots purchased by local businesses. BIA tracks the local and national/regional revenue share for a market. In the sample, no market generated more than 31% of revenues from national/regional commercial spots. Information was not available on the local and national/regional revenue share breakdown for individual stations. A fruitful economic impact analysis would compare the local versus national/regional revenue breakdown of super group owners and small, independent owners.

the state of radio prior to the 1996 act. However, the number of owners in a market is only one dimension of understanding this changed media landscape. From the perspective of listeners who may or may not know, or care, which company owns their favorite station, radio is only as diverse as its content.